

Statement To:

**Subcommittee on Surface Transportation &
Merchant Marine
of the
U.S. Senate Committee on Commerce,
Science & Transportation**

**SUBJ: RAIL FREIGHT TRANSPORTATION
AN EXAMINATION OF FACTORS INHIBITING RAIL EFFICIENCY**

**April 9, 1998
Hays, Kansas**

Presented by:

**Craig Stephenson
Farmer - Saline County, Kansas
Member - Resolutions Committee
Kansas Farm Bureau**

**Summary
Kansas Farm Bureau Statement
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Senate Commerce Subcommittee on Surface Transportation
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- **The real challenge will be whether farmers and agri-businesses in this country will have the transportation capacity and services to quickly and flexibly take advantage of new marketing opportunities.**
- **We are undergoing a major transition in agriculture. We are operating under "Freedom to Farm." We have greater planting flexibility and the opportunity to make many of our own decisions.**
- **We oppose parallel mergers of rail systems and the granting of railroad abandonments which tend to lessen potential transportation competition.**
- **While we reject the concept of nationalization as the answer to the railroad problem, some are beginning to think of the rail lines, the rail beds, the tracks over which railroads run as a national asset, a national system not unlike the Interstate Highway System.**
- **We will seek refinements of the Staggers Rail Act to provide reasonable joint rate and switching rules in order to promote the most efficient movement of commodities under different rail service areas.**

Kansas Farm Bureau

Statement to Subcommittee on Surface Transportation & Merchant Marine of the
Senate Committee on Commerce, Science & Transportation

SUBJ: Rail Freight Transportation

Senator Brownback and members of the Committee:

We genuinely appreciate the opportunity to appear today. The very fact that you are here, Senator Brownback, and the fact the Senate Committee on Commerce, Science and Transportation has authorized this Field Hearing is evidence of the concerns many have regarding rail freight transportation. We welcome the opportunity to present views on behalf of farmers and ranchers in Kansas who are members of the 105 county Farm Bureaus comprising the Kansas Farm Bureau.

For the record, my name is Craig Stephenson. I am a farmer in Saline County, Kansas. I am member of the Kansas Farm Bureau Resolutions Committee. That Committee, not unlike your own, has the responsibility - the opportunity - to hear concerns from our members and to propose the language for resolutions and policy positions of the organization which then are voted on by the full delegate body at the KFB Annual Meeting.

We have a number of policy positions relating to transportation in general. We have some on rail transportation that I will share with you today.

Farmers Need Market Access

A March 1998 publication of the Agricultural Marketing Service of the U.S. Department

of Agriculture -- *Developing a Long-Term Agricultural Transportation Strategy: An Outline of USDA Activities* -- makes this telling observation:

"Increasingly, it appears that the real challenges facing U.S. Agriculture in the future will not be on the production side, where our abilities are unparalleled. Rather, the real challenge will be whether farmers and agri-businesses in this country will have the transportation capacity and services to quickly and flexibly take advantage of new marketing opportunities as they emerge in domestic and international markets. The past year's events are causing many to question whether our transportation system can keep pace with the rapidly-evolving needs of U.S. agriculture."

Storage and transportation problems for the abundant fall crops in Kansas, and elsewhere in the United States, are well known to you. Grain had to be stored on the ground. The congestion and bottlenecks were caused by the merger of the Union Pacific and Southern Pacific. The Surface Transportation Board (STB) held hearings on this crisis in October 1997 and again in early December. The STB ordered the Union Pacific (UP) to file service reports each week with the agency. Notwithstanding the order, and notwithstanding assurances from the UP, trains continued to be delayed and grain continued to be on the ground with farmers worrying about the loss of millions of dollars. Much of that grain had to be shipped at much higher costs via truck transport. All of the Plains States had similar problems as we tried to get our grains to market.

We are undergoing a major transition in agriculture. We are operating under "Freedom to Farm." We have greater planting flexibility and the opportunity to make many of

our own decisions. Yet we are challenged by the lack of reliable rail service to help us expand our income and get abundant crops to the marketplace in a timely manner.

We believe farmers deserve congressional support for assurance of reasonable market access and predictability of transportation service.

Farmers, and those who process and consume our products, are heavily reliant on rail transportation. We need it for the efficient movement of our products. We must have an efficient system to reach ultimate markets in this country. We must have an efficient rail system to reach ports where our grain can be reloaded onto ships in order to reach export markets.

The problems we faced last fall are continuing for grain transportation west of the Mississippi River. In its report for the year-to-date period ending March 7, 1998, the USDA says railcar loadings of grain are still down over four percent from a year earlier. The report continues by describing service of the major carriers. Union Pacific railcar loadings are down over 17 percent. Burlington Northern-Santa Fe (BNSF) has increased its loadings over 10 percent, but the composite total is still down by over four percent.

Based on the data we will certainly agree with the service orders that STB has put in place ... and the extension of those orders to August 2, 1998. We are pleased that STB has ordered the Union Pacific to give priority to grain traffic and more particularly to grain stored on the ground. We just absolutely cannot have this going into a second crop year for us. And we are now only a few months away for the 1998 wheat harvest with country elevators still filled to overflowing with our fall crops.

Farm Bureau Policy Positions Outlined

Earlier I indicated to you that I serve as a member of the Kansas Farm Bureau Resolutions Committee. We examine the issues that are of concern to our members. We seek member views and opinions. We put questionnaires before them and receive answers and ideas for addressing problem areas and problem issues.

Voting Delegates at the Kansas Farm Bureau Annual Meeting have expressed themselves over and over again on rail related issues. We have most recently expressed our concerns over rail line abandonments, rails-to-trails and the tearing up of absolutely good rail tracks to accommodate someone's view of how to short circuit a system that used to serve this nation so well. Our members have made these policy observations in regard to railroads:

- **Sufficient regulatory authority must be retained to protect captive shippers against monopoly pricing;**
- **We oppose parallel mergers of rail systems and the granting of railroad abandonments which tend to lessen potential transportation competition; and**
- **We encourage the railroads to accommodate country elevators by not requiring overly restrictive minimums for track length, car numbers, and loading times. These practices should not result in restricting farmers' access to markets.**

Senator Brownback and members of the Committee, I want to express some background on those few policy statements before examining others with you. Farmers and ranchers, as I believe you know, are a fairly independent lot. We believe the best government is the government closest to home. We believe less government involvement in our lives makes for better lives. But we recognize there are some legitimate needs to maintain order, to maintain the ever familiar and forever sought-after "level playing field." For that reason, we believe the Surface Transportation Board (STB), for which

reauthorization is being sought even now, should have sufficient regulatory authority to protect captive shippers against monopoly pricing and other detrimental practices. We support elimination of discriminatory railroad rates between geographic areas of the country. We believe rates should be based on weight, volume and distance on a uniform basis for all regions of the country.

This next item I must phrase very carefully for you and for any who review our testimony. We are opposed to the idea of nationalization of railroads in this country. Let me state it again in just a slightly different way: We reject the concept of nationalization as the answer to the railroad problem.

Having made this statement on nationalization, and having restated it, let me tell you what our people are beginning to think of in regard to rail transportation problems. They are beginning to think the unthinkable. Not to favor nationalization of the railroad company, but to think of the rail lines, the rail beds, the tracks over which railroads run as a national asset, a national system not unlike the Interstate Highway System. In other words, some are beginning to think a dispatcher could properly care for a variety of railroads running on the same lines in this country to accommodate the needs of shippers in communities large and small. They believe that could happen safely, effectively and efficiently.

Our policy indicates an opposition to parallel mergers. For good reason as it has shown up here in Kansas. We have lost service on one of the main lines through the heartland of this state, over tracks that used to carry a large number of trains from very near my home in Saline County, Kansas, to Pueblo, Colorado. We have lost traffic, and another segment of the same line has track being taken up. That merger, agreed to just a year or so

ago, has indeed lessened transportation competition.

We favor rail competition. We believe it results in reasonable rates and continued access for rural America, for rural business and industry, and for those of us whose agricultural commodities absolutely must reach markets in this country and abroad.

Some of our other Farm Bureau policies address access and competition. Here are three additional points from our adopted policy:

- **The abandonment of branch lines is a matter of intense concern to agricultural producers, and we support the concept that carriers should not be permitted to easily abandon existing lines. We support necessary legislation that could facilitate the sale of branch lines which otherwise might be abandoned;**
- **We shall seek refinements of the Staggers Rail Act to provide reasonable joint rate and switching rules in order to promote the most efficient movement of commodities under different rail service areas; and**
- **We favor open access rules where there is a lack of competition.**

We certainly appreciate the opportunity you have provided for us and for the other conferees at this Field Hearing. If there are any questions concerning our testimony, I would be pleased to respond at this time.